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SIPDIS

DEPARTMENT FOR EUR(DICARLO), EUR/SCE(HOH/FOOKS),
S/WCI(WILLIAMSON)

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SUBJECT: BOSNIA - RUSSIS WALKS OUT OF PIC AND REFUSES TO
ENDORSE COMMUNIQUE

Classified By: Ambassador Charles English. Reasons 1.4(b) and (d).

11. (C) SUMMARY: At the June 24-25 Peace Implementation Council (PIC), PIC member states, except Russia, reiterated their commitment to a benchmarks-driven approach to determining OHR's closure date. PIC member states also underscored to Bosnian political leaders that they would consider nationalist rhetoric and statements and actions that undermined the state when making their assessment about OHR's future. Just prior to the PIC's closing session, Russia, which had been uncharacteristically quiet through much of the PIC, insisted that the PIC commit to setting a date for OHR's closure at its November meeting. This proposal, along with a Russian suggestion that the PIC refrain from issuing a communique, was opposed by the HighRep and all member states.

Russia subsequently walked out of the PIC and refused to join other member states in endorsing the communique. EU representatives laid out for the Bosnian leadership what they believed must be the Bosnian government's priorities for the next several months now that the country had signed a Stabilization and Association Agreement (SAA). In bilateral meetings with the U.S. on the margins of the PIC, RS PM Milorad Dodik, Bosniak member of the Tri-Presidency Haris Silajdzic, and leader of the Croat Democratic Union-BiH (HDZ-BiH) Dragan Covic repeated themes we have heard from them before. Among other things, Dodik stressed that Bosnia's European integration must occur within the Dayton framework. Silajdzic and Covic both stressed the need for constitutional reform and stressed their expectation that a constitutional reform process would begin after the October municipal elections. END SUMMARY

PIC Members Stress Importance of Objectives and Conditions

12. (C) At the June 24-25 PIC, HighRep Lajcak and PIC member states (except Russia) underscored their commitment to the unanimously agreed decision at the February PIC for a benchmarks-driven approach to OHR closure and transition to EUSR. They welcomed progress since February implementing the 5 objectives and fulfilling the 2 conditions, most notably Bosnia's June 16 signing of an SAA with the EU. The HighRep stressed that the PIC's continued commitment to its February decision and unity remained critical to ensuring continued progress. The HighRep cautioned that agreement on state property, immovable defense property, and Brcko would be difficult to deliver. Referring to the second condition (i.e., the PIC's assessment of the situation in Bosnia), the HighRep also expressed concern at renewed anti-Dayton rhetoric, mainly by RS PM Dodik, and continued public attacks on state level institutions as well as concrete attempts to

undermine them by the RS and its leadership. The HighRep also warned that tensions between Bosniaks and Croats within the Federation were rising.

13. (C) The U.S. underscored its support for the benchmarks-based approach, stressing to the HighRep (in a bilateral meeting prior to the PIC) and to political party leaders and government ministers (during PIC sessions with both) that it expected the objectives to be implemented in a manner consistent with the overall goal of entrenching reform and ensuring Bosnia is able to meet its commitments for Euro-Atlantic integration. Joined by the UK, Germany, and Turkey, the U.S. also warned Bosnian political and government leaders that fulfillment of the second condition was not a pro forma exercise. The U.S. would consider nationalist rhetoric and statements and actions designed to undermine the state or roll back previous reforms when making its assessment about OHR closure. This line was reflected in the final PIC communique, which also included U.S.-proposed language warning that rhetoric and efforts to undermine state-level judicial institutions was inconsistent with the PIC's fifth objective, "entrenchment of the rule of law."

Russians Insist on Closure Date; Refuse to Join PIC Consensus

14. (C) Russia, uncharacteristically quiet during much of the PIC, revealed immediately prior to its final session that it wanted language in the communique committing the PIC to set a date for OHR's closure at its November 20-21 meeting. Russia proposed issuing no communique at all, if other PIC member

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states refused to accept the Russia's proposal to reverse the February decision for a benchmarks-driven approach to OHR closure. Turkey strongly opposed the Russian proposal. (Note: Earlier in the PIC, Turkey had criticized Lajcak's management of his relationship with the largest Bosniak political party and had urged him to rebuild OHR's working relationship with it. End Note) The U.S., UK, Germany, and other member states also challenged Russia's attempt to reopen a decision which Russia had support just four months ago. HighRep Lajcak and PIC member states reminded Russia that they were not adding new benchmarks and conditions, only insisting on the implementation of those for which there had been a PIC consensus in February. Russia walked out of the PIC after this discussion and refused to endorse the communique.

The EU Outlines Expectations and Concerns

15. (SBU) European Council and the European Commission representatives outlined to Bosnian political leaders and government officials the EU's main priorities for the next several months. Specifically, the Council and Commission called on the Bosnia to 1) ratify the Framework for Financial Assistance, which is necessary for Bosnia to receive SAA-related financial assistance 2) implement the Interim Agreement, which enters into force on July 1; 3) implement the Road Map for Visa Liberalization; and, 4) adopt a European Partnership Action Plan that clearly spells out how and when Bosnia will meet its European Partnership obligations. Though the Council and Commission welcomed initial progress on some of these, such as the Council of Minister's decision to establish an interagency working group on visa liberalization, they also urged Bosnian officials to pick up the pace of their reform effort. They noted that both the state and the entities had a role to play in the EU accession process. During discussions with PIC member states the Council and Commission expressed concern about the capacity of Bosnia institutions to implement the SAA, noting that they were "very open to providing assistance" to address these shortfalls.

Dodik, Silajdzic and Covic Repeat Familiar Themes

16. (C) In bilateral meetings with the U.S. on the margins of the PIC, RS PM Milorad Dodik, Bosniak member of the Tri-Presidency Haris Silajdzic, and leader of the Croat Democratic Union-BiH (HDZ-BiH) Dragan Covic repeated themes we have heard from them before. Dodik sought to portray the RS as the "better half" of Bosnia, noting the RS had already begun to prepare for an expected loss of revenue associated with SAA implementation while the Federation was teetering on bankruptcy. (Note: The SAA requires Bosnia to admit EU-origin goods duty free, which experts predict will result in a 100 million KM loss of customs revenue. End Note) Challenged on his anti-Dayton rhetoric and RS actions designed to undermine state-level institutions, Dodik insisted that he was committed to Bosnia's "European future," but also insisted that it must be within the "Dayton framework." We thanked Dodik for his party's support of the Srebrenica-related amendments to BiH Election Law, but also urged him to nominate the RS representative to the Srebrenica-Potocari Memorial Center Governing Board. (Note: The RS has been blocking its establishment for several months. End Note)

17. (C) Silajdzic warned that the RS was "trying to create a state within a state" and criticized the international community for doing too little to prevent the RS from blocking reforms or undermining previous reforms. Silajdzic added that the Russians were "a new factor" in Bosnia that would seek to complicate the international community's effort to advance the country's Euro-Atlantic aspirations. He predicted that the Russians would become more vocal in their support for Dodik's obstructionism. Responding to a request from us, Silajdzic promised to support a Bosniak candidate for the Srebrenica mayoralty that would, if elected, help the municipality heal its wounds. Nonetheless, he declined to publicly oppose the Party for Democratic Action's (SDA) support for Camil Durakovic, who led the 2007 Srebrenica secession movement. Finally, Silajdzic made clear that he and his party would oppose amendments to the constitution

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designed to ensure that Brcko enjoyed adequate legal protection vis-a-vis the state and entities. Silajdzic asserted that the amendments were not needed and proposed addressing Brcko's constitutional status as part of a broader, comprehensive constitutional reform process after the October municipal elections.

18. (C) Noting the increasing number of demonstrations and protests in the Federation, Covic predicted greater economic and social unrest in the coming months. He attributed this to genuine frustration among Federation residents with their entity's government and adroit political exploitation of this frustration by the opposition Social Democratic Party (SDP). Covic also cautioned that nationalist rhetoric was likely to rise in the run up to the October municipal elections, adding that Dodik is now "the most radical Serb" on the Bosnian political scene. Covic urged the U.S. to engage on constitutional reform, making clear that Bosnian Croats wanted the international community to take up this issue after the municipal elections. He said that the issue "simply could not wait until after the 2010 general election." We noted that step-by-step constitutional change would have to take place as part of the EU accession process, but Covic predicted that this approach was unlikely to succeed. Bosnia required a new constitution, Covic explained. He and his party remained flexible about how to define a new "middle layer" of government and would support any solution that treats all three constituent peoples equally, but the current two entity structure was unacceptable.

19. (U) Deputy Assistant Secretary DiCarlo has cleared this message.
ENGLISH